

REMARKS

Applicant has canceled claim 2 and incorporated the limitations of claim 2 into all of the independent claims currently pending.

Non-Art Rejections under 35 U.S.C. §112

The Examiner has rejected claims 3-8, 10, 11, 16 and 20-23 under 35 U.S.C. §112 second paragraph as being indefinite for failing to particularly point out and distinctly claim the subject matter that applicant regards as the invention. The Examiner is thanked for the courtesy of pointing out the basis for this rejection. The offending phrase "may be" has been replaced by the word "is" in claims 3-5, 7, 8, 10, 11, 16, and 20-23. Withdrawal of this ground of rejection is respectfully requested.

The Examiner has rejected claims 1-28 under 35 U.S.C. §112 first paragraph as failing to comply with the enablement requirement. The Examiner has stated:

"Claims 1-28 are rejected under 35 U.S.C. 112, first paragraph, as failing to comply with the enablement requirement. The claim(s) contain subject matter which was not described in the specification in such a way as to enable one skilled in the art to which it pertains, or with which it is most nearly connected, to make and/or use the invention. The preamble to the claim reads as "a method of doing business comprising the transfer of goods from a licensor to a licensee." Transferring goods is a physical act of moving goods from the possession of the licensor to the licensee. However, neither the specification nor the claims indicate how this physical transfer takes place. A license is an instrument whereby rights are transferred. A license cannot physically transfer the goods."

The Examiner is thanked for noting that "[a] license is an instrument whereby rights are transferred" as Applicant has now amended the independent claims to clarify the restricted transfer of rights associated with the transfer of the goods.

The Examiner has interpreted the claim giving effect to the structural limitation of the preamble: "Transferring goods is a physical act of moving goods from the possession of the licensor to the licensee. However, neither the specification nor the claims indicate how this physical transfer takes place." The Examiner's claim interpretation is consistent with current Federal Circuit doctrine:

"Although no 'litmus test' exists as to what effect should be accorded to words contained in a preamble, review of a patent in its entirety should be made to determine whether the inventors intended such language to represent an additional structural limitation or mere introductory language." In re Paulsen, 30 F.3d 1474, 31 U.S.P.Q.2d 1671, 1673 (Fed. Cir. 1994).

"A claim preamble has the import that the claim as a whole suggests for it. When the claim drafter chooses to use both the preamble and the body to define the subject matter of the claimed invention, the invention so defined and not some other, is the one the patent protects." Bell Communications Research Inc. v Vitalink Communications Corp., 55 F.3d 615, 34 U.S.P.Q.2d 1816, 1820 (Fed. Cir. 1995).

Applicant agrees that transferring goods is a physical process. However, Applicant respectfully traverses the Examiner's position that the process of transferring goods is not enabled because:

"Claims need not recite limitations that deal with factors that must be presumed to be within the level of ordinary skill in the art, where one of ordinary skill in the art, to whom the specification and claims are directed, would consider such factors obvious." In re Skrivan, 427 F.2d 801, 166 U.S.P.Q. 85 (C.C.P.A. 1970).

Further:

"The ultimate question is whether the specification contains a sufficiently explicit disclosure to enable one having ordinary skill in the relevant field to practice the invention claimed therein without the exercise of undue experimentation. The determination of what constitutes undue

experimentation in a given case requires the application of a standard of reasonableness, having due regard for the nature of the invention and the state of the art. The test is not merely quantitative, since a considerable amount of experimentation is permissible if it is merely routine or if the specification provides a reasonable amount of guidance with respect to the direction in which the experimentation should proceed to enable the determination of how to practice a desired embodiment of the invention claimed. The factors to be considered have been summarized as the quantity of experimentation necessary, the amount of direction or guidance presented, the presence or absence of working examples, the nature of the invention, the state of the prior art, the relative skill of those in that art, the predictability of the art and the breadth of the claims." Ex parte Forman, 230 U.S.P.Q. 546 (B.P.A.I. 1986), *see also* In re Wands, 858 F.2d 731, 8 U.S.P.Q.2d 1400, 1404 (Fed. Cir. 1988).

Goods are transferred between sellers and buyers every day in the United States; a person having ordinary skill in the art of business, i.e. buying and selling goods knows how to physically transfer goods without undue experimentation and without the need for explicit instruction in Applicant's specification. Nevertheless, Applicant respectfully submits that Applicant's reference in the specification to Article 2 of the Uniform Commercial Code which deals with sales and delivery of goods satisfies the enablement requirements of section 112. Withdrawal of this ground of rejection is respectfully requested.

#### Art Based Rejections under 35 U.S.C. §102(b)

The Examiner has rejected claims 1-28 under 35 U.S.C. §102(b) as being anticipated by Erbisch and Maredia, Intellectual Property Rights in Agricultural Biotechnology stating: "Erbisch discloses a method of doing business comprising the transfer of intellectual property rights in goods from licensor to licensee. Terms and conditions are inherent in any license (pages 31-47)." This rejection is respectfully traversed because the method of transferring goods claimed by Applicant specifically withholds (as opposed to granting them to licensee) some or all intellectual property rights and additionally

specifically forbids: "the transferee is prohibited from using the goods to develop any new intellectual property by the terms of the instrument." This is not sufficient to meet the each and every element test required by In re Bond for a rejection under 35 U.S.C. 102(b).

"For a prior-art reference to anticipate, every element of the claimed invention must be identically shown in a single reference." In re Bond, 910 F.2d 831, 15 U.S.P.Q.2d 1566, 1567, 1568 (Fed. Cir. 1990).

Accordingly withdrawal of this ground of rejection is respectfully requested.

**Art Based Rejections under 35 U.S.C. §103(a)**

The Examiner has rejected claims 1, 13, 25, 26, 27 and 28 under 35 U.S.C. 103(a) citing Erbisch stating that:

"Erbisch does not disclose that the license reserves some or all of the intellectual property rights in the goods to the licensor wherein the licensee is prohibited from using the goods to develop any new intellectual property by the terms of the license are all terms and conditions that are set for the in a license(sic), or that the goods are claimed in one patent or one or more patents, or wherein the license may be assigned, or may be assigned by the licensee to a first assignee, or whereby the license may be further assigned by the first assignee to a second assignee. However, the examiner takes Official Notice that terms and conditions are old and well known in all licenses."

The Examiner goes on to maintain "[i]t would have been obvious to one of ordinary skill in the art to draft a license as presented in claims 1, 13, 25, 26, 27, and 28 with any or all of the terms and conditions set forth in claims 2-12 and 14-24." While some terms and conditions may very well be "old and well known in all licenses;" the terms and conditions specifically claimed by Applicant are neither old nor known; specifically the reservation of "some or all of the intellectual property rights in the goods to the

licensor," the prohibition on developing new intellectual property: "wherein the transferee is prohibited from using the goods to develop any new intellectual property by the terms of the instrument," and the self-executing remedy of claims 26, 27, and 28: "wherein in consideration of using the goods to develop new intellectual property said use shall be an acceptance by performance by transferee of a contract for joint development of said new intellectual property wherein an undivided interest in said new intellectual property is assigned to transferor."

"To combine references (A) and (B) properly to reach the conclusion that the subject matter of the patent would have been obvious, case law requires that there must be some teaching, suggestion, or inference in either (A) or (B), or both, or knowledge generally available to one of ordinary skill in the relevant art, that would lead one skilled in the art to combine the relevant teachings of references (A) and (B). Consideration must be given to teachings in the references that would have led one skilled in the art away from the claimed invention. A claim cannot properly be used as a blueprint for extracting individual teachings from references." Ashland Oil, Inc. v. Delta Resins and Refractories, 776 F.2d 281, 227 U.S.P.Q. 657 (Fed. Cir. 1985), emphasis added.

"The mere fact that the prior art may be modified in the manner suggested by the Examiner does not make the modification obvious unless the prior art suggested the desirability of the modification." In re Fritch, 972 F.2d 1260, 23 U.S.P.2d 1780, 1783 (Fed. Cir. 1992).

"The mere fact that a worker in the art could rearrange the parts of the reference device to meet the terms of the claims on appeal is not, by itself, sufficient to support a finding of obviousness. The prior art must provide a motivation or reason for the worker in the art, without the benefit of the appellant's specification, to make the necessary changes in the reference device. The Examiner has not presented any evidence to support the conclusion that a worker in this art would have had the necessary motivation to make the necessary changes in the reference device to render the here-claimed device unpatentable." Ex parte Chicago Rawhide Manufacturing Co., 226 U.S.P.Q. 438 (B.P.A.I. 1984).

The Examiner has not pointed to any teaching in the cited art motivating or suggesting Applicant's specific terms and conditions. The Examiner has not pointed to any motivation or suggestion in the art cited to combine these terms to arrive at Applicant's instruments. Indeed the Examiner concedes that Erbisch does not teach Applicant's recited claims: "Erbisch does not disclose that the license reserves some or all of the intellectual property rights in the goods to the licensor wherein the licensee is prohibited from using the goods to develop any new intellectual property by the terms of the license" and in making the rejection under section 102(b) cites provisions that teach away from Applicant's teaching: "Erbisch discloses a method of doing business comprising the transfer of intellectual property rights in goods from licensor to licensee (transferring rights as opposed to Applicant's reservation of those rights). "The Examiner has failed to make out a *prima facie* case of obviousness. Withdrawal of this ground of rejection is respectfully requested.

**Rejection under 35 U.S.C. §101 - Non-Statutory Subject Matter**

The Examiner has maintained rejection of claims 1 - 28 under 35 U.S.C. §101 because the claimed invention is directed to subject matter that is alleged to be non-statutory.

This rejection is respectfully traversed because the Examiner's rejection under 35 U.S.C. § 112 by reason of Applicant's claim preamble that recites a physical process, the transfer of goods, that is allegedly not enabled, obviates a rejection under 35 U.S.C. § 101 because a physical process is statutory subject matter. The rejections, made in the prior action on the merits, place the Examiner in the position of taking positions legally contradictory to each other depending on upon which section of the statute the Examiner is basing the rejection.

"The law crystallized about the principle that claims directed solely to an abstract mathematical formula or equation, including the mathematical

expression of scientific truth or a law of nature, whether directly or indirectly stated, are non-statutory under section 101; whereas claims to a specific process of apparatus that is implemented in accordance with a mathematical algorithm will generally satisfy section 101. In applying this principle to an invention whose process steps or apparatus elements are described at least in part in terms of mathematical procedures, the mathematical procedures are considered in the context of the claimed invention as a whole." Arrhythmia Research Technology Inc. v. Corazonix Corp., 22 USPQ2d 1033, 1035, 1037 (Fed. Cir. 1992).

In making the rejection under section 101 the Examiner has not followed the instructions of the court:

"Determination of statutory subject matter has been conveniently conducted in two stages, following a protocol initiated by the Court of Customs and Patent Appeals. This analysis has been designated the *Freeman-Walter-Abele* test for statutory subject matter. It is first determined whether a mathematical algorithm is recited directly or indirectly in the claim. If so, it is next determined whether the claimed invention as a whole is no more than the algorithm itself; that is, whether the claim is directed to a mathematical algorithm that is not applied to or limited by physical elements or process steps. Such claims are nonstatutory. However, when the mathematical algorithm is applied in one or more steps of an otherwise statutory process claim, or one or more elements of an otherwise statutory apparatus claim, the requirements of section 101 are met." Arrhythmia, Id.

Transferring goods is a physical process with which the Examiner has agreed in making the section 112 rejection: "Transferring goods is a physical act of moving goods from the possession of the licensor to the licensee."

"The steps included in a claim of "converting," "applying," "determining" and "comparing" are physical process steps that transform one physical, electrical step into another. The view that "there is nothing necessarily physical about 'signals'" is incorrect. The *Freeman-Walter-Abele* standard is met, for the steps of the claimed method comprise an otherwise statutory process whose mathematical procedures are applied to physical process steps." Arrhythmia Research Technology Inc. v. Corazonix Corp., 22 USPQ2d 1033, 1035, 1038 (Fed. Cir. 1992).

This is the procedure required by the Board of Patent Appeals and Interferences:

A mathematical algorithm is defined as a procedure for solving a given type of mathematical problem. The proper analysis of mathematical algorithm-statutory subject matter cases is a two-part test. First, it must be determined whether the claim directly or indirectly recites mathematical algorithm in the *Benson* sense. Second, it must be determined whether the mathematical algorithm is applied in any manner to physical elements or process steps. Ex parte Akamatsu, 22 USPQ2d 1915, 1917 (BPAI 1992).

Under the second part of the two-part test, we follow the CCPA's suggestion in *Abele* of viewing the claims without the mathematical algorithm to identify the underlying process to which the mathematical algorithm is applied. If the remaining process steps (without the algorithm) define "otherwise statutory" subject matter, then the inclusion of the mathematical algorithm does not make the claims nonstatutory. Akamatsu, Id.

The Examiner's position in maintaining the section 101 rejection " as an abstract idea that does not provide a practical application in the technological arts based on the fact that the examiner has interpreted the claims in light of the 112 2<sup>nd</sup> rejection above" is contrary to current Supreme Court, Federal Circuit and BPAI doctrine. Applicant has made these points before. Applicant notes that business methods, including those which transfer goods, are now patentable in the United States. State Street Bank and Trust Co. v. Signature Financial Group, 927 F. Supp. 502, 38 U.S.P.Q.2d 1530 (D. Mass 1996), *rev'd*, 149 F.3d 1368, 47 U.S.P.Q.2d 1596 (Fed. Cir. 1998) *cert. denied* 525 U.S. 1093 (1999). Almost any process can be categorized as an algorithm and on that basis declared unpatentable. Stevens, J. *dissenting in* Diamond v. Diehr, 450 U.S. 175, 209 U.S.P.Q. 1, 11 (1981). However, it should be noted that both Diehr and Arrhythmia stand for the proposition that use of an algorithm in a transformation constitutes patentable subject matter. Diamond v. Diehr, 450 U.S. 175, 209 U.S.P.Q. 1 (1981); Arrhythmia Research Technology, Inc. v. Corazonix Corp., 958 F.2d 1053, 22 U.S.P.Q.2d 1033 (Fed. Cir. 1992).

The Examiner's rejection has been previously traversed for the following reasons. In enacting the 1952 patent statute (Title 35 US Code) Congress intended statutory



subject matter to "include anything under the sun that is made by man." Diamond v. Chakrabarty, 477 U.S. 303, 206 U.S.P.Q. 193, 197 (1980) *citing* S. Rep. No. 1979, 82<sup>nd</sup> Cong., 2d Sess., 5 (1952); H.R. Rep. No. 1979, 82<sup>nd</sup> Cong., 2d Sess. 6 (1952). The Court further explained that 35 U.S.C. §101 does not embrace every discovery but "excludes laws of nature, physical phenomena and abstract ideas." Diamond v. Chakrabarty, 477 U.S. 303, (1980) *citing* Parker V. Flook, 437 U.S. 584 (1978); Gottschalk v. Benson, 409 U.S. 63, 67 (1973); Funk Seed Co. v. Kalo Co., 333 U.S. 127, 130 (1948); O'Reilly v. Morse, 15 How. 61 (1853); Le Roy v. Tatham, 14 How. 155, 175 (1852). The Examiner has rejected claims 1- 28 because they only allegedly recite an abstract "idea of how to license intellectual property with a reservation of rights." This conclusion is traversed because: 1) the claims recites a transfer of patented goods with an accompanying reservation of intellectual property rights to the transferor, the necessary language of how to reserve the intellectual property rights is recited in the specification, 2) the transfer of goods from a first party to a second party is a physical process not an abstract idea (conceded by the Examiner in making a rejection under section 112 for lack of enablement in the most recent action on the merits); 3) because possession of the goods has been transferred from a first party to a second party, a legal right, possession, has been transferred simultaneous with the physical transfer (the Examiner's hypothecation involving the tortious or criminal misappropriation of goods as a rebuttal in the previous action on the merits is inapposite, inappropriate and completely unrelated to the legal transfer of goods between parties which occurs by consent and for consideration); and 4) legal rights themselves are not abstract (a statement with which the Examiner agreed in the previous action on the merits). The claimed invention is a process for transferring goods comprising the reservation of certain legal rights by the transferor, specifically the reservation of intellectual property rights. Under current Supreme Court doctrine as interpreted by the Federal Circuit and the BPAI, Applicant respectfully submits that Applicant's claims, as now amended, subtend statutory subject matter.

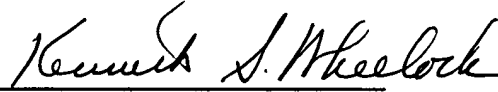
The Examiner's statement that the claimed subject matter "does not apply, involve, use, or advance the technological arts" is respectfully traversed for the following reasons. The first prong of the test utilized by the Examiner (and the Office) unduly limits inventions to "the technological arts" because Article I Section of 8 of the Constitution states the purpose of the patent system is "To promote the Progress of Science and useful arts" not merely just the "technological arts." U.S. Const. Art. I §8 This narrowing of utility to just the technological arts is neither warranted by the express intent of Congress or the holdings of the Court because Congress intended statutory subject matter to "include anything under the sun that is made by man." Diamond v. Chakrabarty, 477 U.S. 303, 206 U.S.P.Q. 193, 197 (1980) *citing* S. Rep. No. 1979, 82<sup>nd</sup> Cong., 2d Sess., 5 (1952); H.R. Rep. No. 1979, 82<sup>nd</sup> Cong., 2d Sess. 6 (1952). The Court has expressly observed that "Flook did not announce a new principle that inventions in areas not contemplated by Congress when the patent laws were enacted are unpatentable *per se*. Diamond v. Chakrabarty, 477 U.S. 303, 206 U.S.P.Q. 193, 200 (1980). This therefore must perforce include new legal processes as instantly claimed because the judicially created exceptions to patentability under §101 do not expressly exclude legal processes, i.e. the only processes expressly excluded are laws of nature, physical phenomena and abstract ideas." Diamond v. Chakrabarty, 477 U.S. 303, (1980); *citations omitted*.

Having rebutted the Examiner's allegation of unpatentability under 35 U.S.C. §101, Applicant respectfully requests withdrawal of this ground of rejection.

Accordingly having rebutted the Examiner's allegations of unpatentable subject matter under 35 U.S.C. §101, unpatentability under section 35 U.S.C. §102(b), unpatentability under section 35 U.S.C. §103(a), and unpatentability under section 35 U.S.C. §112, first and second paragraphs, a Notice of Allowance appears to be next in

order. Applicant respectfully solicits a Notice of Allowance for claims 1, 3 - 28, the claims currently pending.

Respectfully submitted:



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Dec. 9, 2003